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RUCPDOG/DEPT OF COMMERCE WASHINGTON DC PRIORITY
INFO RUEHCHI/AMCONSUL CHIANG MAI PRIORITY 5705
RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY

UNCLAS BANGKOK 003070

STATE FOR EAP/MLS AND EB
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COMMERCE FOR EAP/MAC/OKSA
SINGAPORE FOR FINATT BAKER

SENSITIVE
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E.O. 12958: N/A
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SUBJECT: THAI BANKS BEGIN TIGHTENING CREDIT FOR FOREIGN FIRMS

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11. (SBU) Concerned about the creditworthiness of foreign business entities in Thailand, Thai banks are reportedly tightening lines of credit for U.S. firms. The Bangkok Post reported October 9 that Thai banks are cutting back funding lines to U.S. companies "as credit risks have jumped sharply in recent days." According to bank executives cited in the article and confirmed by a bank analyst with whom we spoke, local banks are fearful of rolling over short-term credit lines to international clients, particularly U.S. firms, as a result of the global credit crunch. The press report said some banks are concerned that foreign funding will simply be transferred offshore to help parent companies starved for cash.

12. (SBU) However, not everyone concurs with the press assessment. The CEO of a Thai bank with whom we spoke concurred with skeptical bank executives cited in the press article, stating that he is maintaining lines of credit to foreign corporations, as well as local. Nonetheless, the head of one prominent U.S. bank in Thailand noted that Thai banks are indeed tightening credit lines for foreign banks fearful that U.S. banks now are at increased risk. The executive noted that tightening credit for corporations is difficult to do overnight, but Thai banks could begin to do so. The Embassy has not heard from U.S. companies themselves that this is happening as yet.

13. (SBU) Comment: The Thai stock market plummeted again October 10, this time prompting a temporary moratorium on trading in the afternoon when the drop hit 10 percent. While the government is continuing to assure the financial and business communities that there is no liquidity problem, equity drops of this magnitude cannot help but make Thai banks more wary. We will keep an ear out for specific cases of U.S. firms being denied credit. End comment.